

Message Text

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PAGE 01 STATE 098837

64

ORIGIN OPIC-12

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AF/E:GGAY (DRAFT)

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R 132123Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI

AMEMBASSY LUSAKA

AMEMBASSY ABIDJAN

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E.O. 11652: N/A

TAGS: EIND ZA

SUBJ: TAW

1. OPIC AND TAW CREDITORS (GENERAL MOTORS, FIRST NATIONAL BANK OF CHICAGO, CHASE MANHATTAN, MORGAN GUARANTY, FREEDOM NATIONAL BANK -- LATTER TWO HAVE SMALL EXPOSURE) HAVE MET AMONG SELVES AND WITH COMPANY TO DISCUSS COMPANY'S PROPOSED CUTBACK OF OVERHEAD, MAXIMUM COLLECTION AND CONSERVATION OF CASH AND ORDERLY REPATRIATION OF CASH TO U.S. THE OBJECT OF THE PLAN IS TO REPAY AMOUNTS DUE LENDERS OUT OF PRESENT CASH FLOW, TO TIGHTEN UP THE MANAGEMENT AND DECISION-MAKING IN THE COMPANY, AND TO PROVE THAT COMPANY CAN BE A VIABLE OPERATION IN THE FUTURE. CREDITORS ARE RELYING ON EXECUTIVE VICE PRESIDENT FRANK SAVAGE TO CARRY OUT PLAN. SAVAGE CAME WITH THE COMPANY IN JUNE 1973 WITH GOOD RECOMMENDATIONS FROM FINANCIAL COMMUNITY. HE WAS TO BE THE MANAGER OF THE ZAMBIAN LEASE. NOW THAT LEASE IS CANCELLED, HE HAS BEEN APPOINTED BY TAW BOARD TO

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PAGE 02 STATE 098837

NEW POST RESPONSIBLE FOR ALL FINANCIAL AND OPERATING

MATTERS. ALL

OFFICERS IN COMPANY REPORT TO SAVAGE AND SAVAGE REPORTS TO PRESIDENT WOOD AND TO THE BOARD. SINCE TAW PRESIDENT WOOD HAS BEEN IN ZAMBIA AND ELSEWHERE TRYING TO DISPOSE OF USED TRUCKS, SAVAGE HAS BEEN ACTING HEAD OF COMPANY IN THE U.S. HIS RIGHT HAND MAN IS VICE PRESIDENT/CONTROLLER RICHARD HOPKINS.

2. SAVAGE IS DUE IN WEST AFRICA MAY 13 FOR THREE TO FOUR WEEK STAY. WILL PROBABLY SPEND A SHORT TIME IN NAIROBI AND THEN RETURN TO U.S. BY MID-JUNE. TO SATISFY COMPANY PLAN AND CREDITORS SAVAGE MUST RETURN WITH FACTUAL ANSWERS ABOUT TAW'S ABILITY TO REPATRIATE CASH FROM EACH COUNTRY WITH SUPPORT FOR PROJECTIONS OF LEASE REVENUES THAT WILL BE AVAILABLE FOR REPATRIATION; A PLAN FOR PHASE OUT OF THE SERVICE OPERATIONS IN WEST AFRICA; EVALUATION OF MANAGEMENT; AND SPECIFIC OVERHEAD REDUCTION ACTION PLANS. KEY ITEM IS REPATRIATION.

TAW GENERATES SUBSTANTIAL CASH IN LOCAL CURRENCY FROM LEASE PAYMENTS BUT LENDERS HAVE YET TO SEE ONE DOLLAR OF THIS REPATRIATED. ONLY GM HAS RECEIVED PAYMENTS FOR TRUCK IMPORTS IN WEST AFRICA. LUCAS ALDEN, TAW CONSULTANT, WILL ALSO BE IN WEST AFRICA HELPING WITH IMPROVEMENT IN MANAGEMENT REPORTING LOCALLY AND TO U.S. IT SHOULD BE NOTED THAT ALDEN WORKS ON SPECIFIC AREAS UNDER SAVAGE'S DIRECTION.

3. IT IS LIKELY THAT AN OPIC OFFICER WILL VISIT ABIDJAN, NAIROBI AND POSSIBLY LUSAKA SPECIFICALLY TO REVIEW TAW OPERATIONS WITH SAVAGE. OPIC WILL INFORM EMBASSIES CONCERNED AS SOON AS POSSIBLE OF ARRIVAL DATE AND LENGTH OF STAY.

4. COMPANY IS PLANNING TO FILE SUIT AGAINST GOVERNMENT OF ZAMBIA AT INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION COURT IN LONDON IN JUNE OR JULY. CREDITORS BELIEVE THIS MAKES SENSE IN SPITE OF SOMEWHAT COSTLY FEES INVOLVED AND HOPEFUL FOR SETTLEMENT BY GRZ BEFORE ARBITRATION RUNS ITS COURSE (WITH CONSEQUENTLY LARGE LEGAL FEES). CANCELLATION OF LEASE HAS CAUSED COMPANY COMPLETE LOSS OF DOLLAR INCOME AND HAS MADE RESOLUTION OF PROBLEMS AND CUTTING OF COSTS IN EXISTING OPERATION URGENT. WOULD APPRECIATE ANY COMMENTS EMBASSY LUSAKA MAY HAVE REGARDING COMPANY'S HOPE THAT GRZ WILL SETTLE BEFORE OR DURING ARBITRATION.

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PAGE 03 STATE 098837

5. FYI. DECISIONS ARE BEING MADE BY THE COMPANY AND CREDITORS IN CONCERT; COMPANY PROPOSALS IN SOME CASES ARE NOT TOUGH ENOUGH FOR CREDITORS BUT IN GENERAL CREDITORS HOPEFUL THAT SAVAGE CAN PROVIDE KIND OF MANAGEMENT COMPANY NEEDS AND HAS NEVER HAD. END FYI. RUSH

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